BRITISH COLUMBIA

College Pension Plan

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2004 Annual Report

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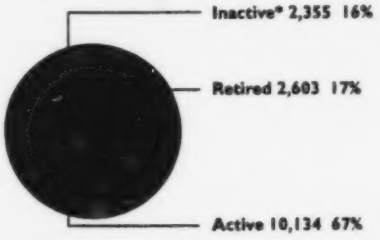
College Pension Plan 2004 Annual Report

The data in the pie chart *Age Profile of Active Contributors as at August 31, 2004* is inaccurate. This replacement page reflects the correction.

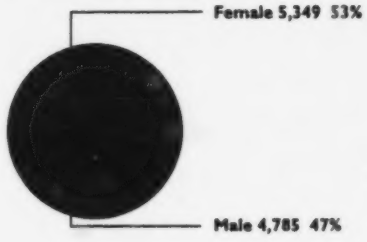
Plan Participants

Membership Profile
as at August 31, 2004

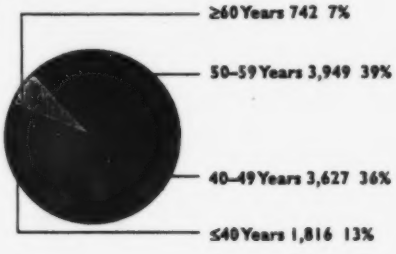


* Members no longer employed, but with money in the plan.

Active Member Profile
as at August 31, 2004

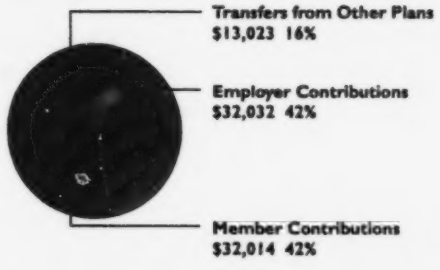


Age Profile of Active Contributors
as at August 31, 2004



Contribution Revenue
year ended August 31, 2004

$ Thousands



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College Pension Plan

2004

Annual Report

September 1, 2003 to August 31, 2004

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Message From the Trustees

The College Pension Board of Trustees is pleased to present the annual report for the fiscal year ending August 31, 2004. This report gives the trustees an opportunity to welcome new plan members and to communicate what's happening with your pension plan.

The board adopted the following mission statement this year—

To provide a reliable source of retirement income by keeping the pension promise established by the partners.

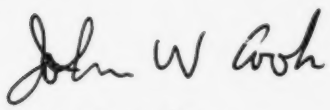
There are several ways in which the trustees endeavour to fulfill this mission statement. In 2004, these included reviewing the actuarial report and adjusting the employer and member contribution rates based on the results of the actuarial valuation.

The trustees received the results of the actuarial valuation of the College Pension Plan as at August 31, 2003. The results are summarized in this report.

The plan continues to see growth in the number of active and retired members, and rates of return continue to be positive.

The plan's funding policy also sets out clear expectations of future plans and greater certainty for the pension plan. It assists the trustees in assessing the long-term health of pension benefits, inflation protection and funding for health benefits.

The strategic focus continues to be the long-term financial health of the plan and continuing high standards of service delivery to plan members. The trustees look forward to continuing to work on your behalf. If you would like to contact the trustees, please use the address on the back of this report.



John W. Cook, Chair

Trustees as at August 31, 2004

Chair

John W. Cook

Trustee	Appointing Partner
Barry Bompas	Provincial Government (nominated by Post Secondary Employers' Association)
Dan Bradford	B.C. Government and Service Employees' Union (BCGEU)
John Davison	Provincial Government
Bruce Kennedy	Provincial Government
Tom Kozar	Federation of Post-Secondary Educators of BC and BCGEU
Margaret Marriott	Provincial Government
Paul Martin	B.C. Government and Service Employees' Union (alternate)
Roseanne Moran	Federation of Post-Secondary Educators of BC
Cliff Neufeld	Provincial Government and Post Secondary Employers' Association
Dominique Roelants	Federation of Post-Secondary Educators of BC
John Wilson	Federation of Post-Secondary Educators of BC

Partners, Trustees and Agents

The College Pension Plan is jointly trusteed, with four plan partners, and is governed by a joint trust arrangement. The **College Pension Plan partners** are the B.C. Government and Service Employees' Union (BCGEU), the Federation of Post-Secondary Educators of BC (FPSE), the Post Secondary Employers' Association (PSEA) and the provincial government. The partners are responsible for appointing the trustees.

The **College Pension Board of Trustees** is fully responsible for the management of the pension plan, including the investment of the assets, and the administration of the plan. The board of trustees may amend the pension plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the plan. Plan rule changes that result in contribution rate changes must be approved by the partners. If the actuary determines that it is necessary to increase contribution rates, the trustees must increase employer and member contribution rates equally.

The **British Columbia Pension Corporation** provides benefit administration services as an agent of the board of trustees. This is where members are enrolled, contributions are collected, benefits are processed, and pension payments are issued.

The **British Columbia Investment Management Corporation** (bcIMC) provides investment management services as an agent of the board of trustees. The bcIMC is one of the largest institutional investors in the country, offering a wide range of fund management services.

Member Services and Communications

The plan is dedicated to providing quality and cost-effective services to plan members. Members have benefited from impressive gains in service improvements and efficiencies, including the elimination of a backlog of purchase of service requests, new online services and improved client response time.

We regularly conduct surveys of plan members to evaluate the quality of our services and to identify areas for improvement. The surveys show that both active and retired members give the plan a high satisfaction rating for service quality.

Communicating with plan members is a priority of the College Pension Board of Trustees. Guidelines have been developed to ensure all plan information is easy to understand and easy to use. By practising plain language principles and focus testing many of our products, we continue to improve the effectiveness of our communication products.

New and updated communications materials are regularly published, and new online products and services are continually being developed. The plan produces:

- annual *Member's Benefit Statements*
- forms
- bulletins
- *Pensionfacts*—a series of fact sheets, and
- *PensionNews*—a newsletter for retired members that is published twice a year.

In addition, our website provides excellent pension plan information and online estimators at **pensionsbc.ca**.

The board recognizes the above could not be accomplished without the strong team of professional staff at the Pension Corporation.

Plan Participants

Members of the College Pension Plan are senior administrators and faculty members of British Columbia post-secondary institutions. For employees hired on or after September 1, 1999, all full-time and some part-time senior administrators and faculty members are required to participate; certain part-time employees may do so voluntarily.

There are three categories of members in the plan:

- **Active**—those currently contributing, or on a leave of absence, or receiving benefits from an approved salary continuance plan.
- **Inactive**—those who terminate employment, but whose contributions remain on deposit with the plan.
- **Retired**—those who are receiving a pension, including those who are receiving a disability pension.

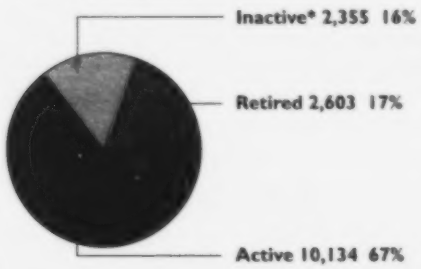
The number of active plan members increased by about 5% in 2003/04. The plan now serves more than 15,000 members, including about 10,000 active plan members and over 2,600 retired members.

Number of Members

	Active	Inactive	Retired	Total
2004	**10,134**	**2,355**	**2,603**	**15,092**
2003	9,699	2,074	2,367	14,140
2002	9,105	1,937	2,119	13,161
2001	8,670	1,677	1,924	12,271
2000	7,962	1,561	1,788	11,311

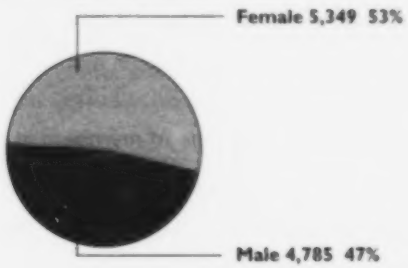
Plan Participants

Membership Profile
as at August 31, 2004

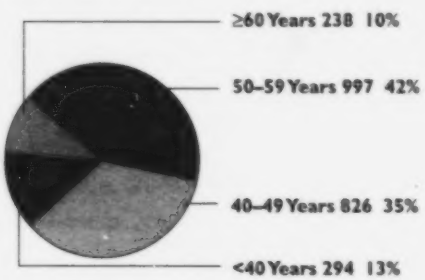


* Members no longer employed, but with money in the plan.

Active Member Profile
as at August 31, 2004

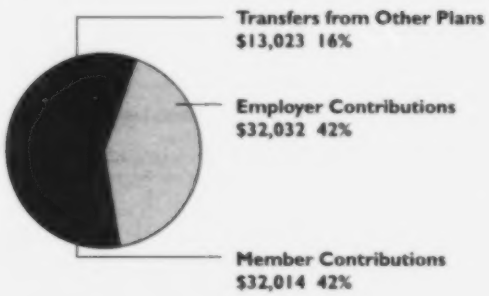


Age Profile of Active Contributors
as at August 31, 2004



Contribution Revenue
year ended August 31, 2004

$ Thousands



Plan Participants

Active Employers

Employer Name	Effective Date
British Columbia Institute of Technology (Burnaby)	January 12, 1978
Camosun College (Victoria)	June 1, 1971
Capilano College (North Vancouver)	September 1, 1968
Centre for Curriculum, Transfer & Technology (Victoria)	January 1, 2002
College of New Caledonia (Prince George)	September 1, 1968
College of the Rockies (Cranbrook)	May 8, 1975
Douglas College (New Westminster)	April 1, 1970
Emily Carr Institute of Art and Design (Vancouver)	January 19, 1978
Institute of Indigenous Government (Vancouver)	May 26, 1995
Justice Institute of B.C. (Vancouver)	April 27, 1978
Kwantlen University College (Surrey)	July 1, 1981
Langara College (Vancouver)	April 1, 1994
Lester B. Pearson College of the Pacific (Victoria)	January 31, 1974
Malaspina University-College (Nanaimo)	January 1, 1969
Nicola Valley Institute of Technology (Merritt)	September 1, 1995
North Island College (Courtenay)	August 1, 1975
Northern Lights College (Dawson Creek)	September 1, 1975
Northwest Community College (Terrace)	September 1, 1975
Okanagan University College (Kelowna)	September 1, 1968
Open Learning Agency (Burnaby)	June 1, 1976
Royal Roads University (Victoria)	January 1, 1998
Selkirk College (Castlegar)	September 1, 1968
University College of the Cariboo (Kamloops)	January 1, 1970
University College of the Fraser Valley (Abbotsford)	November 1, 1974
Vancouver Community College (Vancouver)	September 1, 1968

Plan Benefits

Pensions

Plan benefits are defined by the pension plan rules made under the authority of the joint trust arrangement. Your basic pension benefit is defined, meaning your pension is based on how many pensionable years you were an active member, the average of your five highest years of salary (not necessarily your last five years), and your age at retirement. Your pension is not based on how much you contributed to the plan, nor is it based on the investment performance of the plan's assets. The advantage of a defined benefit plan is that your pension is predictable. The plan provides entitlement to a pension benefit for all plan members after having reached a qualifying age. The plan also provides survivor and disability benefits.

Benefits such as inflation protection for the basic pension and group health benefits are not guaranteed, and are contingent on available funding. The board monitors the ability to continue to provide these benefits on an ongoing basis.

All members are eligible for a pension benefit. Members are eligible for unreduced pension benefits:

- at age 65
- at age 60, with at least two years of contributory service; or
- at age 55 or older, with at least 35 years of contributory service.

Other retiring members have a reduction formula applied to their pensions.

The defined basic plan benefit is integrated with the Canada Pension Plan (CPP). Effective January 1, 2002 for members who terminate employment on or after January 1, 2002, the plan provides an unreduced benefit of 1.7% of pensionable earnings, up to the CPP Year's Maximum Pensionable Earnings (YMPE), and 2% of pensionable earnings over the YMPE (to a maximum of 35 years).

Pensionable earnings are based on the member's highest five-year average salary (HAS). The plan also provides a bridge benefit payable to age 65 (or the date of death if earlier). Effective January 1, 2002 for members who terminate employment on or after January 1, 2002, the bridge benefit is 0.3% of the lesser of YMPE or HAS.

Basic pensions have a significant value. The value of a basic pension depends on a number of factors, including the member's age, salary, and years of service at retirement.

On January 1, 2004 retired members received a full Consumer Price Index (CPI) increase of 2.2% (2003: 2.3%). Inflation increases to the pension may be provided each year based on the annual increase in the CPI. (See Note 7b to the Financial Statements.)

In 2003/04 the plan provided pensions to over 2,600 retired members, an increase of 10% from the previous year.

The table on the next page shows the average asset value ("present value") of regular pension new starts during 2003/04. The value represents approximately how much it would cost to purchase an average basic pension provided under the College Pension Plan.

Average Value of Regular Pension New Starts—September 1, 2003 to August 31, 2004

Subdivided by years of service

Years of Service*	Number of Pension New Starts	Average Annual Salary Base	Average Annual Pension	Average Present Value of Pensions	Total Present Value of Pensions ($ Millions)
<10 years	30	61,000	8,000	91,000	2.7
10–14	40	66,000	15,000	203,000	8.1
15–19	25	66,000	20,000	297,000	7.4
20–24	24	70,000	29,000	401,000	9.6
25–29	30	70,000	34,000	502,000	15.1
30–34	22	70,000	36,000	574,000	12.6
35–39	8	77,000	46,000	733,000	5.9
Total	179	n/a	n/a	n/a	61.4
Average of All Pensions	n/a	67,000	24,000	343,000	n/a

* Years of service includes service transferred from other plans.

Pensions 1995–2004

	New Starts During Year	Pension Terminations	In Force at End of Year	($ Millions) Basic Pensions Paid	Inflation Supplements Paid	Total
2003/04	**254**	**18**	**2,603**	**$35.8**	**$4.5**	**$40.3**
2002/03	271	23	2,367	30.7	3.8	34.5
2001/02	213	18	2,119	25.8	3.3	29.1
2000/01	144	8	1,924	23.2	2.7	25.9
1999/00	253	16	1,788	19.1	2.2	21.3
1998/99	169	6	1,551	15.4	1.9	17.3
1997/98	165	23	1,388	13.1	1.8	14.9
1996/97	163	10	1,246	11.1	1.7	12.8
1995/96	131	14	1,093	9.4	1.5	10.9
1994/95	97	1	976	8.1	1.4	9.5

Pension New Starts, by Type 1995–2004

	Regular*	Death*	Disability+	Deferred	Total
2003/04	**179**	**2**	**14**	**59**	**254**
2002/03	215	4	9	43	271
2001/02	175	7	7	24	213
2000/01	111	5	3	25	144
1999/00	202	6	15	30	253
1998/99	136	3	3	27	169
1997/98	122	4	7	32	165
1996/97	131	1	10	21	163
1995/96	92	7	4	28	131
1994/95	73	5	2	17	97

* Pension new starts do not include pensions continued to a beneficiary upon the death of a retired member.

+ Primarily represents members on long-term disability who became eligible for a regular pension.

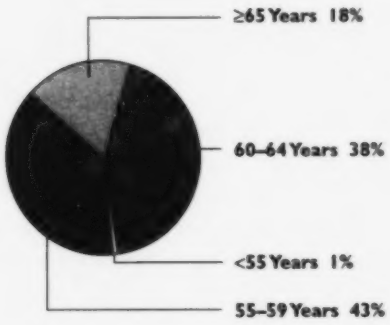
Plan Benefits

2003/04 Regular Pension New Starts, by Age at Retirement

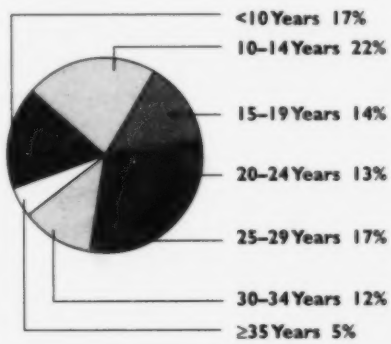
Subdivided by years of service

Years of Service	<55	55–59	60–64	≥65	Total
<10 yrs	–	14	9	7	30
10–14	–	14	17	9	40
15–19	1	11	8	5	25
20–24	–	8	13	3	24
25–29	–	21	7	2	30
30–34	–	8	10	4	22
≥35	–	2	4	2	8
Total	**1**	**78**	**68**	**32**	**179**
Average age 60					

Percentage of 2003/04 Regular Pension New Starts by Age



Percentage of 2003/04 Regular Pension New Starts by Years of Service



Termination and Refund Benefits

A terminating member who is eligible for a pension but has not yet reached the earliest retirement age may choose:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or a similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in the pension plan in anticipation of future entitlements. If a member is under 60 with less than two years of service, they may also choose a refund of contributions with interest.

Interest compounds annually and is credited to the member's contribution balance. The balance (including interest) is included in the annual *Member's Benefit Statement*. The rate of interest is governed by pension standards legislation and is based on average bank five-year personal term deposit rates (2004 – 2.76%; 2003 – 3.38%).

The number and value of termination benefits paid can vary from year to year, depending on the employment environment, the type of benefit paid, and the plan member's entitlement. In 2003/04 the number of termination and refund benefits paid increased compared to 2002/03.

Number of Termination and Refund Benefits Paid
year ended August 31

Value of Termination and Refund Benefits Paid
year ended August 31

Termination and refund benefits paid include refunds of contributions and commuted-value payments; deferred pensions are included in pension statistics.

Transferring Service

Transfer agreements allow pension plan members to carry pension rights from one plan to another. Members may carry their years of pensionable service and contributions to a new plan at a different place of employment if the new plan has an agreement with the College Pension Plan. Employers that allow pension plan members to transfer their pension rights to other pension plans are called "reciprocal employers." In order to transfer service the member must have left their contributions on deposit, or reinstated service. Service may not be transferred on a one-to-one basis, but depends on differences in plan benefits. Members of the plan who have made contributions to another pension plan may want to inquire about transfer agreements.

Under the BC Public Sector Transfer Agreement of April 1, 2004, reciprocity is effective between the plan and the three large BC public sector pension plans (Municipal, Public Service, and Teachers'). In June 2004, the board entered into the National Public Service Pension Transfer Agreement and reciprocity is now in effect between the plan and the other parties to the agreement. The board no longer enters into bi-lateral reciprocal transfer agreements with other pension plans; any other plan wishing to establish reciprocity with the College Pension Plan should consider entering into the National Public Service Transfer Agreement. In 2003/04 there were 217 reciprocal transfers-in from other pension plans and 66 transfers-out. The transfers-in totalled $13.0 million; transfers-out totalled $1.9 million.

Purchase of Additional Service

Members of the plan may be able to increase their future pension benefits by purchasing service. Purchasing service means paying for periods of employment that have not already been counted as service with the plan. This service may include:

- leaves of absence (maternity, paternal or other leave)
- arrears contributions (not enrolled but eligible to buy back missed contributions)
- other service (employment service before becoming a regular contributor), or
- reinstatements (contributions previously refunded from the plan).

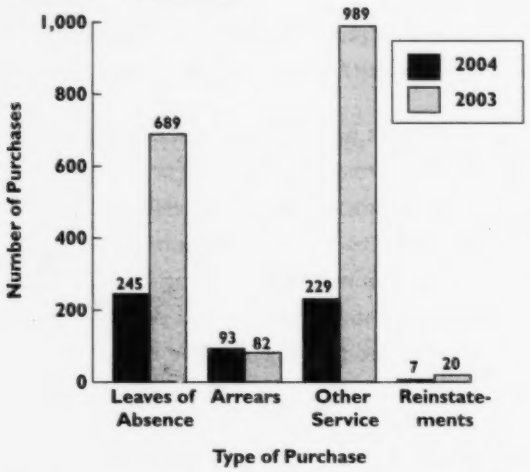
Purchase of service rules changed March 1, 2002. There is a deadline for members to apply to purchase historical periods of service by February 28, 2007. Beginning March 1, 2007, members may only purchase periods of service that occurred during the previous five years, and provided the member applies to purchase prior to terminating employment. More information about purchasing service, including costs, is available on the plan website at **pensionsbc.ca**.

In 2003/04 the number of purchases of additional service decreased 68% from 2002/03. The value of the purchases decreased 74%.

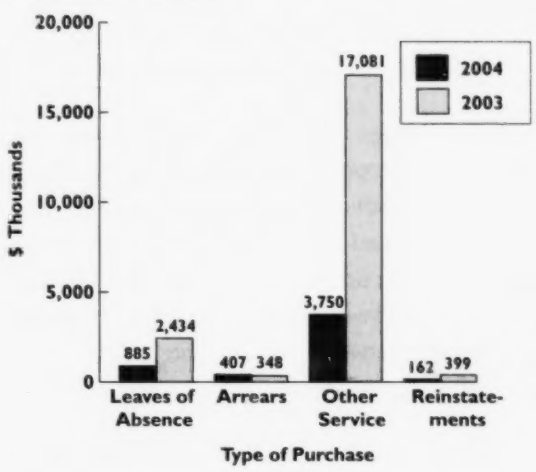
Member and Employer Purchases of Additional Service

year ended August 31

Number of Purchases



Value of Purchases



Investments

One of the major roles of the board of trustees as fiduciary for the plan is the responsibility for overseeing the investment of more than $1.6 billion in assets for the long-term benefit of the plan and its members. The most important issue for any pension plan is long-term results, and the board's goal is to achieve consistent and steady performance over the longer term based on a disciplined approach and prudent decision-making.

Diversification of investments is a key principle in the approved asset policy. Investments are held in a range of asset types (bonds, equities, real estate), industry sectors, and global markets.

Investment results continued to improve during this second year of equity market recovery. The plan enjoyed acceptable returns from both its equity and fixed income investments. For example, inflation-linked bonds earned a stellar 18.7%. The plan's Canadian stocks fared very well with a 14.5% return and outperformed the Standard & Poor's/Toronto Stock Exchange Composite index, which was up 13.5%. The plan's international investments also returned a strong 14.5%. Returns on U.S. investments, ranging from 5.2% to 11.0%, were dampened by the U.S. dollar's depreciation relative to its Canadian counterpart. This was mitigated by hedging some of the plan's U.S. dollar exposure.

Overall for the year, the plan's Basic Account recorded a 10.1% annual return on its investment portfolio. On a five-year basis, the return for the plan's Basic Account was 5.0%. The ten-year annualized rate of return for the Basic Account was 8.6%

The board of trustees reviews the Statement of Investment Policies and Procedures (SIPP) annually, approves the long-term asset mix policy for the investment assets and oversees the management of those assets through the board's investment management agent, the British Columbia Investment Management Corporation (bcIMC). This year the trustees made significant changes to the asset mix. The Basic Investment Asset Mix and Performance table on the next page provides a comparison of the new and old ranges.

We are cautiously optimistic about the outlook for the economy and financial markets. The trustees, together with our fund manager, are managing risk to protect capital, while attempting to add value to ensure that the plan remains on a solid footing.

The forward-looking staff of bcIMC have played an important role in assisting the board's deliberations.

Basic Investment Asset Mix and Performance

Strategic and short-term asset allocation targets are set within the ranges in the table below. Short-term debt for asset mix purposes includes government bonds with one-to five-year terms and money market funds.

Basic Investment Asset Mix and Performance

August 31, 2004

Asset Class	Approved Range 2003 (%)	Approved Range 2004 (%)	Actual Assets (%)	Rate of Return (%)	Performance Benchmark (%)*
Debt	**25–45**	**25–45**			
Short-term	0–10	0–5	1.1	2.9	2.5
Mortgages	0–10	0–10	4.1	6.3	5.8
Bonds	20–40	17–28	25.3	7.2	7.1
Real Return Bonds	n/a	0–10	5.2	18.7	18.9
Equity	**55–75**	**55–75**			
Canadian Equities	15–30	12–22	19.6	14.5	13.5
U.S. Equities	5–20	10–20	15.9	9.0	5.9
International Equities	10–25	10–20	15.6	14.5	16.6
Real Estate	5–15	8–15	10.5	7.6	6.0
Private Placements	0–6	0–10	2.7	**	**

* Benchmarks are standards to compare against actual investment returns.
** Annual rate of return not available.

Investment Portfolio

Investments are stated at fair market value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the value of the underlying assets. Income from investments represents pooled investment portfolio income attributable to the plan as a unit holder.

Investments Held as at August 31, 2004

	Market Value ($Thousands)	Asset Mix
Short-term		
Money Market	$ 17,033	1%
Short-term bonds (1-5 years)	5,569	–
Bonds		
Government	257,008	16%
Corporate	62,748	4%
Long-term	83,757	5%
Canadian Equities		
Indexed	215,101	14%
Actively Managed	97,812	6%
U.S. Equities		
Indexed	195,139	12%
Actively Managed	58,287	4%
International Equities		
Asia	45,483	3%
Europe	76,663	5%
Europe, Australia and the Far East	127,131	8%
Real Estate	167,859	10%
Mortgages	65,641	4%
Private Placements	40,865	3%
Foreign Currency	2,386	–
Total Pooled Portfolios	**$1,518,482**	**95%**
Real Return Bonds	$ 83,159	5%
Total Investments	**$1,601,641**	**100%**
2003 Comparison	$ 1,429,167	

For further information on the investment portfolio, visit the British Columbia Investment Management Corporation website at **www.bcimc.com**.

Investments

Investments Held as at August 31, 2004

Top 10 Holdings (Underlying investments are in pooled portfolios.)

Canadian Equities

Company	Market Value ($ Thousands)	% of Total
Manulife Financial	$ 15,774	5.0%
Bank of Nova Scotia	13,861	4.4%
Royal Bank of Canada	12,805	4.1%
Toronto Dominion Bank	11,235	3.6%
Encana Corporation	9,182	2.9%
Bank of Montreal	8,753	2.8%
Canadian Imperial Bank of Commerce	8,280	2.7%
Alcan Inc.	7,925	2.5%
BCE Inc.	6,875	2.2%
Suncor Energy	6,390	2.1%
Total Top Ten	**$101,080**	**32.3%**
Total Canadian Equities	**$312,913**	

US Equities

Company	Market Value ($ Thousands)	% of Total
Citigroup Inc.	$ 4,246	1.7%
Exxon Mobil Corp.	3,929	1.5%
Amern Intl Group	2,972	1.2%
Bank of America	2,905	1.1%
General Electric	2,842	1.1%
Microsoft Corp.	2,689	1.1%
Pfizer Inc.	2,434	1.0%
JP Morgan	1,889	0.7%
Johnson & Johnson	1,480	0.6%
Verizon Communications	1,459	0.6%
Total Top Ten	**$ 26,845**	**10.6%**
Total US Equities	**$253,426**	

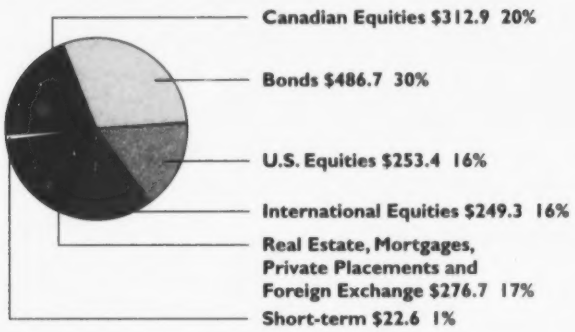
International Equities

Company	Market Value ($ Thousands)	% of Total
Vodafone Group	$ 5,462	2.2%
Total Fina Elf	4,857	1.9%
HSBC Holdings	4,718	1.9%
Novartis AG	4,198	1.7%
BP	3,979	1.6%
Glaxosmithkline	3,787	1.5%
Nestle SA	3,721	1.5%
Astrazeneca	3,278	1.3%
Roche Holdings AG	3,021	1.2%
ENI	2,970	1.2%
Total Top Ten	**$ 39,991**	**16.0%**
Total International Equities	**$249,277**	

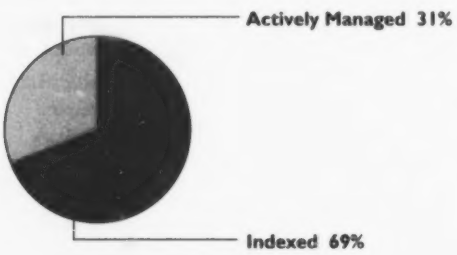
Investments

Investments Held as at August 31, 2004

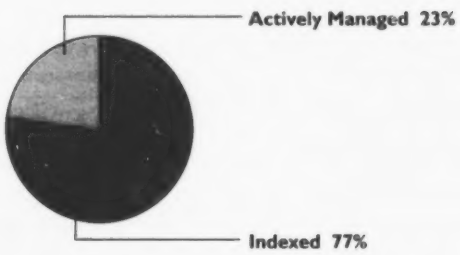
Investments Holdings (Market Value)
$ Millions


Canadian Equities $312.9 20%
Bonds $486.7 30%
U.S. Equities $253.4 16%
International Equities $249.3 16%
Real Estate, Mortgages, Private Placements and Foreign Exchange $276.7 17%
Short-term $22.6 1%

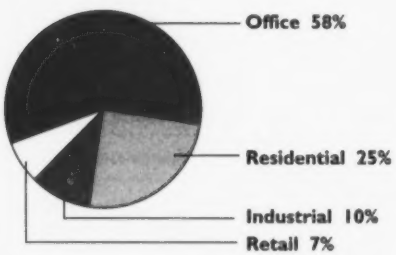
Canadian Equities (Market Value)



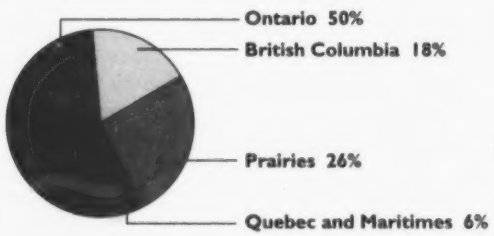
U.S. Equities (Market Value)



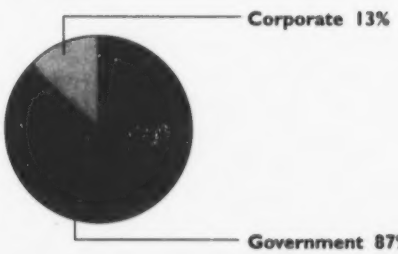
Real Estate, by Type



Real Estate, by Location



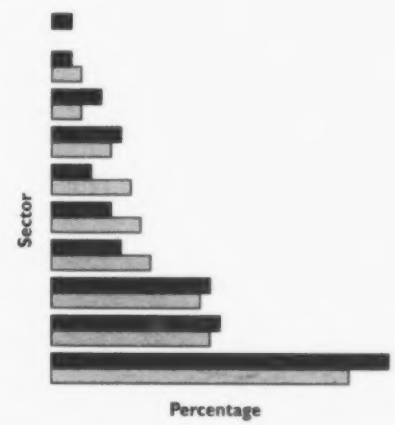
Bonds (Market Value)



Investments Held as at August 31, 2004

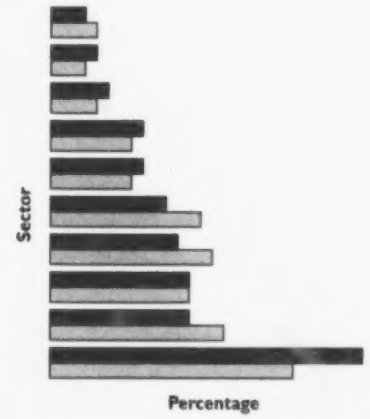
Canadian Equities, by Sector

Sector	Indexed (%)	Actively Managed (%)
Utilities	2	0
Health Care	2	3
Telecommunications	5	3
Information Technology	7	6
Consumer Staples	4	8
Industrial Products	6	9
Consumer Discretionary	7	10
Materials	16	15
Energy	17	16
Financial Services	34	30
	100%	100%



U.S. Equities, by Sector

Sector	Indexed (%)	Actively Managed (%)
Materials	3	4
Utilities	4	3
Telecommunications	5	4
Consumer Staples	8	7
Energy	8	7
Health Care	10	13
Industrial Products	11	14
Consumer Discretionary	12	12
Information Technology	12	15
Financial Services	27	21
	100%	100%



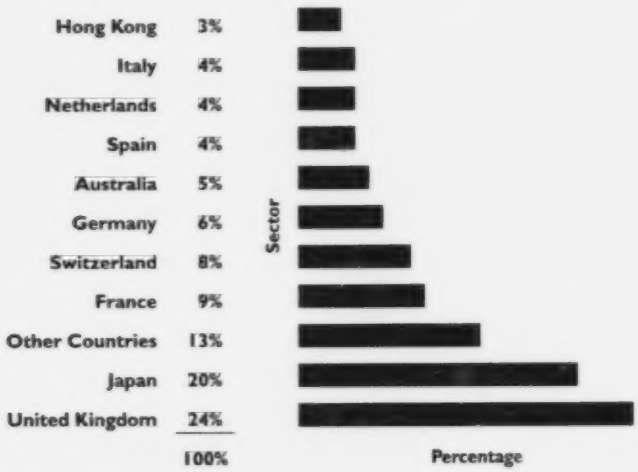
Indexed: A portfolio of securities in approximately the same proportion as a public market index (e.g., Toronto Stock Exchange Composite).

Actively Managed: A portfolio of securities that is designed to outperform a public market index.

Investments

Investments Held as at August 31, 2004

International Equities, by Country



Investment Performance

Net Earned Rate of the Fund*

Year	%
2004	**5.0**
2003	6.2
2002	5.3
2001	9.9
2000	14.8

* Five-year annualized rate

Investments

Market Value Rates of Return for the Year Ended August 31, 2004

	Basic Account (%)	Inflation Adjustment Account (%)	Basic Account Performance Benchmarks* (%)	
Five-year Annualized Rates				
2003/04	5.0	5.3	5.0	
2002/03 Comparison	6.2	6.3	6.0	
Annual Rates				
2003/04	10.1	11.0	11.8	
2002/03 Comparison	6.9	7.7	7.2	
Annual Rates by Investment Category				**Performance Benchmark* Indices**
Short-term				
Money Market	2.5	2.5	2.4	SCI 91-Day Treasury Bills
Bonds	5.2	5.2	5.1	SCI All Gov't Short-term
Bonds				
Government	6.8	6.8	6.6	SCI All Government Universe
Corporate	7.0	7.0	7.5	SCI All Corporate Universe
Long-term	8.8	8.8	8.5	SCI All Gov't Long-term
Real Return	18.7	21.1	21.0	SCI Real Bond
Canadian Equities				
Actively Managed	15.4	15.4	13.5	S&P/TSX
Indexed	13.9	13.9	13.5	S&P/TSX
Enhanced	16.6	16.6	13.5	S&P/TSX
U.S. Equities				
Actively Managed	5.5	5.5	5.8	R1000
Indexed	6.0	6.0	6.0	S&P 500
Derivatives	11.2	11.2	6.0	S&P 500
Value	10.4	10.4	10.4	S&P Value
Enhanced	5.2	5.2	5.8	R1000
International Equities				
Asia	12.0	12.0	15.3	MSCI Pacific Basin Net
Europe	14.9	14.9	17.0	MSCI Europe Net
Europe, Australia and the Far East	15.0	15.1	16.5	MSCI Europe, Australia, Far East Net
Real Estate	8.8	8.8	5.9	CPI + 4%
Mortgages				
Fixed-term	6.2	6.2	6.4	SCI Short-term Bonds + 1%
Construction	5.9	5.9	4.1	SCI One-year Bill + 1%
Specialty	8.6	8.6	5.6	SCI One-year Bill + 2.5%
Private Placements	**	**	**	NB Small Capital (weighted) + 4.5%

* Benchmarks are standards to compare against actual investment returns.

** Annual rate of return not available

Performance Benchmark Indices Abbreviations

CPI	=	Consumer Price Index
MSCI	=	Morgan Stanley Capital International
NB	=	Nesbitt Burns
R	=	Russell
SCI	=	Scotia Capital Inc.
S&P	=	Standard & Poor's
S&P/TSX	=	Standard & Poor's/Toronto Stock Exchange Composite

(Source of annual rates: British Columbia Investment Management Corporation)

Financial Health

Actuarial Valuation

Every three years an independent actuary assesses the financial health of the Basic Account. At the last valuation as at August 31, 2003, the plan had an unfunded liability for basic pension benefits of $50 million. An unfunded liability indicates that there is a shortfall between the benefits that are promised and the assets that are available to pay for these benefits, whereas a surplus indicates all basic benefits are funded. This actuarial shortfall is less than 3% of liabilities and has been addressed through an increase in contribution rates. The next valuation will be as at August 31, 2006.

The terms of the joint trust arrangement state that the trustees must amend the pension plan rules if they receive an actuarial valuation report that concludes an increase in contribution rates is necessary. Therefore, the trustees decided that, effective September 1, 2004, plan member and plan employer contribution rates would each increase on average by 2.2%, (an increase of 2.45% on pensionable salary below the Year's Maximum Pensionable Earnings [YMPE] and 1.7% on pensionable salary above the YMPE), as indicated below. This increase is related to funding the increased benefits effective January 1, 2002 and the changes to the economic and demographic assumptions and plan experience.

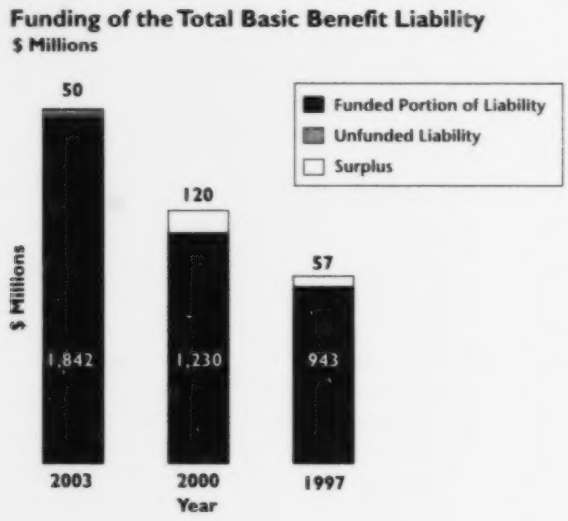
Effective September 1, 2004, member and employer contribution rates increase to 7.95% of pensionable salary up to the 2004 YMPE of $40,500 and 8.70% in excess of the YMPE.

Latest Actuarial Valuation as at August 31, 2003

$ Millions

	Net Surplus (Unfunded Liability) Basic Pension Benefits		
	2003	**2000**	**1997**
For Funding Purposes*	$(50)	$120	$57
Ratio of Surplus (Unfunded Liability) to Covered Payroll	(10%)	32%	19%
For Accounting Purposes to August 31	$123	$262	$129

* Assuming contributions continue at rates in effect at the valuation date.
See Note 7 and 8 to the Financial Statements for additional explanation.



Funding Policy

In 2003, the board adopted a funding policy for basic pension benefits, inflation protection, and post-retirement group benefits. This funding policy reflects the intentions of the board, but is subject to restrictions. For basic pension benefits, the policy will ensure that any unfunded liabilities are amortized over 15 years and that surpluses are first assessed to ensure that stable contribution rates for members and employers can be maintained for between 15 and 25 years. Then, if benefit improvements can be considered, the trustees will also consider the impact on future inflation protection.

For inflation protection, the overall intent is to stabilize the indexing expectations over a period of about 20 years. The board regularly examines the future outlook for indexing to identify the point at which full indexing benefits may not be able to be granted.

The policy establishes a maximum amount, 1% of active member payroll, that is available each year for post-retirement group benefits. The board is constrained to fund post-retirement group benefits solely from employer contributions.

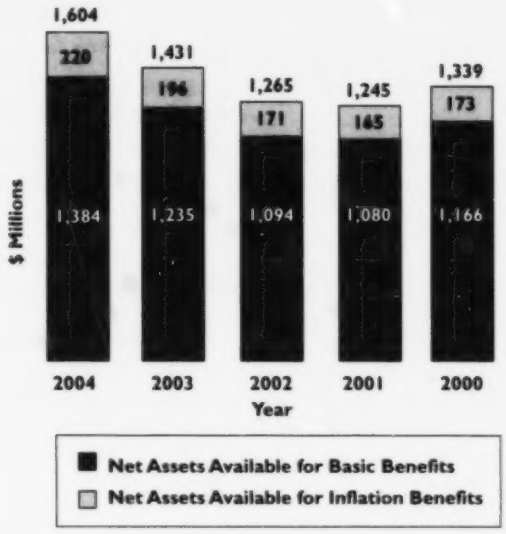
The funding policy is one of the fundamentals of the board's assessment of financial health.

Five-year Financial Summary

$ Thousands

For the year ended August 31	2004	2003	2002	2001	2000
Increase (Decrease) in Assets					
Investment Income (Loss)	**149,291**	95,612	(29,434)	(113,616)	235,458
Contributions					
Employers	**32,032**	37,602	27,456	24,031	17,396
Members	**32,014**	37,982	27,569	24,254	21,677
Transfers from Other Plans	**13,023**	40,609	39,344	7,880	7,037
Total Increase (Decrease) in Assets	**226,360**	**211,805**	**64,935**	**(57,451)**	**281,568**
Decrease in Assets					
Pension Benefits	**40,259**	34,531	31,684	25,908	21,307
Termination and Refund Benefits	**4,531**	2,864	5,521	3,809	2,145
Transfers to Other Plans	**1,928**	1,614	1,611	1,861	375
Retired Member Group Benefits	**2,791**	3,094	2,459	1,932	1,605
Investment and Administration Costs	**4,213**	3,557	3,307	3,465	2,581
Total Decrease in Assets	**53,722**	**45,660**	**44,582**	**36,975**	**28,013**
Increase (Decrease) in Net Assets	**172,638**	166,145	20,353	(94,426)	253,555
Net Assets Available for Benefits at Beginning of Year	**1,431,306**	1,265,161	1,244,808	1,339,234	1,085,679
Net Assets Available for Benefits at End of Year	**1,603,944**	1,431,306	$1,265,161	$1,244,808	$1,339,234
		As a Percentage of Net Assets			
Benefit Administration Costs	**0.11%**	0.12%	0.12%	0.10%	0.06%
Investment Management Cost	**0.16%**	0.13%	0.14%	0.18%	0.13%

Net Assets Available for Benefits
as at August 31



Financial Statements

PENSION CORPORATION

Executive Offices

Mailing Address:
PO Box 9460
Victoria BC
V8W 9V8

Location:
2995 Jutland Road
Victoria BC
V8T 5J9

Phone:
250 387-8201
1 800 663-8823
Fax:
250 953-0429

COLLEGE PENSION PLAN

ADMINISTRATIVE AGENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the College Pension Plan (Plan) were prepared by the British Columbia Pension Corporation (Pension Corporation), the administrative agent for the Board of Trustees (Board) of the Plan. The Board is responsible for having annual financial statements prepared in accordance with generally accepted accounting principles. The Corporation prepares the financial statements on the Board's behalf and is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the College Pension Plan Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the Pension Corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Partners Ltd. has been appointed the independent consulting actuary to the Plan by the Board. The role of the actuary is to complete an actuarial valuation of the Plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The firm of KPMG LLP has been appointed the independent auditor to the Plan by the Board. The role of the auditor is to perform an independent audit of the financial statements of the Plan in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.

SHELDON SCHWARTZ, C.F.A.,
Chief Financial Officer,
British Columbia Pension Corporation

SANDRA LENZ, C.A.,
Director, Finance,
British Columbia Pension Corporation

November 26, 2004

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800 - 730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Fax (250) 480-3539
Internet www.kpmg.ca

AUDITORS' REPORT

To the Members of the College Pension Plan

We have audited the statement of net assets available for benefits of the College Pension Plan as at August 31, 2004 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the Plan's net assets available for benefits as at August 31, 2004 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

November 26, 2004

KPMG LLP a Canadian limited liability partnership is the Canadian

COLLEGE PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

As at August 31	2004	2003
ASSETS		
Investments (Note 3)	$ 1,601,641	$ 1,429,167
Receivables		
Members' contributions	1,268	1,530
Employers' contributions	1,314	1,547
Accrued investment income	673	265
Due from sale of investments	1,300	2,100
	4,555	5,442
Prepaid expense	263	176
Cash	522	83
Total Assets	1,606,981	1,434,868
LIABILITIES		
Payable for purchase of investments	1,882	2,600
Accounts payable and accrued expenses	1,155	962
Total Liabilities	3,037	3,562
NET ASSETS AVAILABLE FOR BENEFITS	$ 1,603,944	$ 1,431,306

All accompanying notes are an integral part of these financial statements including:

- Actuarial Valuation of the Basic Account for Funding Purposes (Note 7)
- Actuarial Valuation of the Basic Account for Accounting Purposes (Note 8)
- Commitments (Note 11)

John W. Cook, F.C.I.A.
Chair, College Pension Board of Trustees

John Davison,
Trustee,
College Pension Board of Trustees

John Wilson,
Trustee,
College Pension Board of Trustees

COLLEGE PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

For the year ended August 31	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Totals 2004	2003
INCREASE IN ASSETS					
Investment income (Note 4)	$ 127,129	$ 22,162	$ -	$ 149,291	$ 95,612
Contributions (Note 5)					
Members'	26,467	5,543	4	32,014	37,982
Employers'	25,997	3,161	2,874	32,032	37,602
	52,464	8,704	2,878	64,046	75,584
Transfers from other plans	9,887	3,136	-	13,023	40,609
Total Increase in Assets	189,480	34,002	2,878	226,360	211,805
DECREASE IN ASSETS					
Pension benefits					
Contributory	35,714	-	61	35,775	30,681
Indexing supplements	4,484	-	-	4,484	3,850
	40,198	-	61	40,259	34,531
Termination and refund benefits	3,151	1,380	-	4,531	2,864
Transfers to other plans	1,420	508	-	1,928	1,614
Retired member group benefits (Note 10)			2,791	2,791	3,094
Investment and Administration costs (Note 9)	3,850	337	26	4,213	3,557
Total Decrease in Assets	48,619	2,225	2,878	53,722	45,660
INCREASE IN NET ASSETS BEFORE TRANSFERS	140,861	31,777	-	172,638	166,145
Account transfers (Note 6)	8,273	(8,273)	-	-	-
INCREASE IN NET ASSETS	149,134	23,504	-	172,638	166,145
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF PERIOD	1,234,724	196,582	-	$ 1,431,306	1,265,161
NET ASSETS AVAILABLE FOR BENEFITS AT END OF PERIOD	$ 1,383,858	$ 220,086	$ -	$ 1,603,944	$ 1,431,306

Supplemental Benefits Account (Note 10)

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2004

1. DESCRIPTION OF THE COLLEGE PENSION PLAN

The College Pension Plan (Plan) is a jointly trusteed pension plan governed by Schedule A of the *Public Sector Pension Plans Act* (Act) and the College Pension Plan Regulation (the "pension plan rules"). Joint trusteeship was established effective April 1, 2000 with the agreement of the Provincial Government, the Post Secondary Employers' Association, the College Institute Educators' Association of B.C. and the B.C. Government and Service Employees' Union (Partners).

Schedule A of the Act describes the composition, appointment, powers, functions and duties of the College Pension Board of Trustees (Board) and provides authority for the Board to make Plan rules. The following brief description of the Plan is provided for general information only. For more information refer to the Act and the Regulation.

a) General

The Plan is for senior administrative employees and faculty members of British Columbia colleges. For employees hired on or after September 1, 1999, all full-time and some part-time senior administrative employees and faculty are required to participate; certain part time staff may do so voluntarily.

b) Roles and Responsibilities

The Board of Trustees
The Partners are responsible for directing amendments to the Plan, if certain conditions are met, and for resolving trustee disputes. The Board consists of up to eleven members. The Partners appoint ten members representing Plan members and Plan employers. The other trustees appoint the eleventh member, the chair. The Board is fully responsible for the management of the Plan, including the investment of the assets and the administration of the Plan. The Board may amend the Plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the Plan. Unless required to ensure compliance with regulatory enactments applicable to the Plan, Plan rule changes that result in contribution rate changes can only be initiated by the Partners.

British Columbia Pension Corporation (Pension Corporation)
The Pension Corporation provides benefit administration services as an agent of the Board.

British Columbia Investment Management Corporation (bcIMC)
bcIMC provides investment management services as an agent of the Board.

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2004

1. DESCRIPTION OF THE COLLEGE PENSION PLAN (continued)

c) Contributions

Basic Account
Until February 29, 2004, members contributed to the Basic Account 4.50% of salaries up to and including the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) ($40,500 in 2004) and 6.00% of salaries above the YMPE, less amounts allocated to the Supplemental Benefits Account. Effective March 1, 2004 contributions were 4.41% (6.86% effective September 1, 2004) up to the YMPE and 5.91% (7.61% effective September 1, 2004) over the YMPE, less amounts allocated to the Supplemental Benefits Account (Note 5 & Note 10).

Employers contribute at the same rates as the members, less amounts allocated to the Supplemental Benefits Account (2004 - $0.5 million; 2003 - $0.6 million) (Note 5 & Note 10).

Inflation Adjustment Account and Supplemental Benefits Account
Members contributed 1% of salaries to the Inflation Adjustment Account (IAA) until February 29, 2004. Effective March 1, 2004, contributions to the IAA increased to 1.09% (Note 7b).

Employers contributed 1% of salaries to the IAA until February 29, 2004. Effective March 1, 2004, contributions to the IAA increased to 1.09% less amounts allocated to the Supplemental Benefits Account (2004 - $2.4 million; 2003 - $2.5 million) (Note 5 & Note 10).

d) Pension Benefits

All members are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65;
- at age 60, with at least 2 years contributory service; or
- at age 55 or older, with at least 35 years of contributory service.

Other retiring members have a reduction formula applied to their pensions.

The defined basic plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the Plan provides an unreduced benefit of 1.7% of pensionable earnings, up to the YMPE, and 2% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years).

Pensionable earnings are based on the member's highest five-year average salary (HAS). The Plan also provides a bridge benefit payable to age 65 (or the date of death, if earlier). The bridge benefit is 0.3% of the lesser of YMPE or HAS.

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2004

1. DESCRIPTION OF THE COLLEGE PENSION PLAN (continued)

d) Pension Benefits (continued)

Increases to pension payments may be provided each January 1 in accordance with the indexing provisions of the Plan. These increases are based on the annual increase in the Canada Consumer Price Index (CPI) as at the previous September 30, subject to availability of funds in the Inflation Adjustment Account (Note 6 and Note 7b).

At January 1, 2004 retired members received a full CPI increase of 2.2% (2003: 2.3%).

e) Termination and Portability Benefits

A terminating member, who is eligible for a pension but has not yet reached the earliest retirement age, may choose:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in anticipation of future entitlements, or if under 60 with less than two years of contributory service, may choose a refund of contributions with interest.

Where there are portability arrangements between the Plan and other pension plans, members may be able to transfer certain pension rights.

f) Other Benefits

Disability and survivor benefits are also available under the Plan. Supplemental benefits (Note 10) may also be funded from the Supplemental Benefits Account of the pension fund. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

g) Income Taxes

The Plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act* (Canada), except for any supplemental benefits (Note 10) which are funded in addition to the RPP. The Plan is not subject to income taxes.

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements present the Plan as a separate financial reporting entity, independent of the Plan's contributing employers and members, and independent of any associated retired member group benefit plans. The Statement of Net Assets Available for Benefits shows the assets under control of the trustees of the Plan. It does not purport to show their adequacy to meet the obligations of the Plan.

Certain comparative figures have been reclassified to conform with the current year's presentation.

b) Investments

Investments are stated at fair value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the value of the underlying assets. Where available, fair values of these assets are based on public market prices or quotations from investment dealers. Where public market prices or quotations are not available, fair values are derived using valuation methods such as discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics and other pricing models, as appropriate. The fair value of derivative contracts is included in the fair value of pooled investment portfolios.

Investment purchases and sales are recorded on the trade date (the date upon which the substantial risks and rewards of ownership have been transferred).

c) Investment Income

Income from investments is recorded on the accrual basis and represents pooled investment portfolio income attributable to the Plan as a unit holder. The current period change in fair value includes realized and unrealized gains and losses.

Within the pools, dividends are accrued on the ex-dividend date. Income and expenses from derivative contracts are accrued as earned and included as income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in their fair values.

d) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets during the period. Actual

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Use of Estimates (continued)

results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of investments and the actuarial estimate of the actuarial position of the Basic Account.

3. INVESTMENTS (FAIR VALUE)

	2004			2003
	Basic Account	Inflation Adjustment Account	Total	Total
	($ Thousands)			
Short-term	$ 16,051	$ 6,551	$ 22,602	$ 48,253
Canadian Bonds	420,514	66,158	486,672	378,764
Canadian Equities	270,741	42,172	312,913	340,090
U.S. Equities	218,698	34,728	253,426	196,544
International Equities	214,793	34,484	249,277	224,645
Foreign Currency	2,034	352	2,386	411
Mortgages	56,686	8,955	65,641	54,707
Real Estate	145,226	22,633	167,859	148,599
Private Placements	36,877	3,988	40,865	37,154
	$1,381,620	$220,021	$1,601,641	$1,429,167

Plan investments consist primarily of direct ownership in units of pooled investment portfolios, managed by bcIMC. Each unit gives its holder a proportionate share in the net assets of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

Short-term investments consist of short-term bonds, Canadian and U.S. money market securities, such as treasury bills, with maturities of 15 months or less. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and, in the case of international equities, refer to investments in Europe, Australia and the Far East. The foreign currency pooled fund engages in the buying and selling of foreign currency financial instruments to enhance returns through the active management of currency exposure.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of diversified Canadian income-producing properties. Private placements refer to Canadian and international

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2004

3. INVESTMENTS (FAIR VALUE) (continued)

long-term debt or equity investments made outside the structure of public markets (Note 11).

The mortgages are secured by real estate and are valued using current market yields. Real estate is valued quarterly by bcIMC external real estate investment managers and, at least once every ten to eighteen months, by accredited independent appraisers to establish current market values. Private placements are valued annually based on audited financial statements from private placement external managers.

The Plan also uses derivative contracts held indirectly through various pooled investment portfolios to enhance return, manage exposure to interest rate and foreign currency risk and for asset mix management purposes. Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, or exchange rates. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

4. INVESTMENT INCOME

	2004			2003
	Income Allocation	Current Period Change in Fair Value	Total	Total
		($ Thousands)		
Basic Account				
Short-term	$ 1,069	$ (157)	$ 912	$ 2,405
Canadian Bonds	19,398	10,079	29,477	22,902
Canadian Equities	4,948	29,720	34,668	54,385
U.S. Equities	10,044	10,403	20,447	(6,532)
International Equities	5,460	23,951	29,411	(1,521)
Foreign Currency	47	377	424	176
Mortgages	3,638	(402)	3,236	3,532
Real Estate	6,228	3,951	10,179	8,337
Private Placements	580	(2,205)	(1,625)	(2,164)
Investment Income	$51,412	$75,717	$127,129	$81,520

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2004

4. INVESTMENT INCOME (continued)

	2004			2003
	Income Allocation	Current Period Change in Fair Value	Total	Total
		($ Thousands)		
Inflation Adjustment Account				
Short-term	$ 125	$ (6)	$ 119	$ 73
Canadian Bonds	3,131	2,773	5,904	5,161
Canadian Equities	759	4,514	5,273	7,761
U.S. Equities	1,664	1,883	3,547	(714)
International Equities	868	3,979	4,847	(163)
Foreign Currency	8	64	72	29
Mortgages	580	(59)	521	549
Real Estate	1,019	784	1,803	1,366
Private Placement	40	36	76	30
Investment Income	$ 8,194	$13,968	$ 22,162	$14,092
Total Investment Income	$59,606	$89,685	$149,291	$95,612

Investment income represents pooled investment portfolio income attributable to the Plan, as a unitholder, and as calculated by bcIMC, and interest income from directly-held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

5. CONTRIBUTIONS

	2004				2003
	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
			($ Thousands)		
Members' contributions					
Regular	$24,310	$5,108	$ -	$29,418	$27,661
Arrears	122	26	-	148	158
Purchase of service	1,529	312	-	1,841	8,545
Leave of absence	360	81	-	441	1,219
Reinstatement	146	16	-	162	399
Supplemental benefits	-	-	4	4	-
	26,467	5,543	4	32,014	37,982
Employers' contributions					
Regular	$23,848	$2,698	-	$26,546	$24,515
Arrears	212	47	-	259	190
Purchase of service	1,574	335	-	1,909	8,536
Leave of absence	363	81	-	444	1,215
Supplemental benefits	-	-	2,874	2,874	3,146
	25,997	3,161	2,874	32,032	37,602
Total Contributions	$52,464	$8,704	$2,878	$64,046	$75,584

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2004

5. CONTRIBUTIONS (continued)

Member and employer contributions are as defined under the Plan rules.

Member regular Basic Account contributions were $24.3 million, of which $4 thousand was allocated to the Supplemental Benefits Account.

Employer regular Basic Account contributions were $24.3 million, of which $0.5 million was allocated to the Supplemental Benefits Account. Employer regular Inflation Account contributions were $5.1 million, of which $2.4 million was allocated to the Supplemental Benefits Account.

6. ACCOUNT TRANSFERS

	2004		2003	
	Basic Account	Inflation Adjustment Account	Basic Account	Inflation Adjustment Account
	($ Thousands)			
Present value of current indexing supplements	$7,470	$(7,470)	$6,669	$(6,669)
Indexing of deferred pensions	803	(803)	437	(437)
Excess Interest	-	-	-	-
	$8,273	$(8,273)	$7,106	$(7,106)

The Inflation Adjustment Account (IAA) is a separate account that is maintained to fund current and future indexing supplements. The IAA is funded through a portion of ongoing contributions from employers and members (Note 1c), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is also transferred from the IAA to the Basic Account.

There was no excess interest transfer to the IAA for the years ended August 31, 2003 and 2004. Excess interest is based only on investment income earned on those Basic Account assets required for pensions currently being paid, approximately $404 million of assets for 2004 (2003: $337 million). The excess interest rate of return is

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
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6. ACCOUNT TRANSFERS (continued)

the difference between the actual five-year average market rate of return and the rate of return used by the actuary which was 7.2% for 2004 (2003: 7.4%) in valuing the Plan's liabilities. The calculated excess interest rate of return for 2004 was - 2.2% (2003: - 1.2%) resulting in a negative excess interest amount of $8.9 million (2003: $4.0 million). The cumulative negative excess interest amount, including interest applied on cumulative excess amounts, is $19.7 million, which will be offset against future positive excess interest amounts before positive excess interest transfers will resume.

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES

a) Basic Account

An actuarial valuation of the Plan's assets and pension obligations is performed at least every three years by an independent actuary to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, the Plan's actuary values both accrued assets and benefit obligations to the financial statement date, and contributions and benefits for future service. The actuary's calculated contribution rate is based on the entry-age method. This method produces the level rate of member and employer contributions sufficient to provide benefits for the average future new entrants to the Plan.

A full actuarial valuation for funding purposes as at August 31, 2000, disclosed a surplus for basic account benefits of $120 million. Based on those results, the partners entered into an agreement directing the Board to amend the pension plan rules. The Partners Direction to the Board of Trustees Agreement effective April 12, 2001, outlined benefit improvements for active and retired members including:

- a benefit formula improvement for active members effective January 1, 2002;
- a contribution rate increase for both plan members and employers effective January 1, 2002, offset by an equivalent reduction in contribution rates for a period of five years;
- an allocation of $5 million to improve benefits for retired members, $2.6 million of which was distributed to retired members in November 2001 through a one-time lump sum payment, and $2.4 million of which was transferred from the Basic Account to the Inflation Adjustment Account in 2002.

Due to the above benefit improvements, the adjusted surplus as at August 31, 2000 was estimated to be $87 million.

The most recent full valuation for funding purposes was prepared as at August 31, 2003. The valuation disclosed an unfunded actuarial liability (UAL) for basic pension

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2004

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (continued)

a) Basic Account (continued)

benefits of $50 million (2000: $87 million adjusted surplus) assuming future contributions at rates in effect at the valuation date, and including the future scheduled rate changes.

The following long-term actuarial assumptions were used:

- annual investment return 7.2% (2000: 7.4%)
- annual salary escalation rate 4.7% (2000: 4.9%)

The main changes between the 2000 and 2003 valuation are as follows:

	($Millions)
Adjusted surplus as at August 31, 2000	$ 87
Contributions below normal cost	(69)
Changes in assumptions	(44)
Interest on surplus	20
Investment income lower than actuarial rate of return	(39)
.09% contribution rate reduction effective March 1, 2004	(8)
Other actual experience different from expected	3
UAL as at August 31, 2003	$ (50)

The next full valuation will be as at August 31, 2006, with results available for the August 31, 2007 financial statements.

Based on the results of the 2003 actuarial valuation, the actuary determined that an increase in contribution rates is necessary for the Plan to maintain its proper financing. Therefore, effective September 1, 2004, the trustees increased member and employer contribution rates by 2.45% of salaries up to and including the YMPE and by 1.70% of salaries over the YMPE, as recommended by the actuary.

b) Inflation Adjustment Account (IAA)

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account. As indexing is granted to retired members, full funding for that indexing, on a present value basis, is transferred from the Inflation Adjustment Account to the Basic Account, from which the pensions are paid. There is no minimum level of indexing required to be paid under the Plan rules, nor is there any Plan provision to fund the IAA to any minimum level of future potential indexing. The Board monitors the performance of the IAA and, at least annually, reviews a sensitivity analysis of the projected impact on the IAA of possible differing future economic trends. Such

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
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7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (continued)

b) Inflation Adjustment Account (IAA)

factors include inflation rates, real wage growth rates, real investment rates of return and group health benefit costs. This sensitivity analysis assists the Board to identify scenarios, some years in advance of their possible occurrence, where the IAA assets may cease to grow and therefore, when the Plan may not be able to grant full indexing of benefits. As long as there are contributions to the IAA, there will be some measure of indexing protection for retired members.

The College Pension Plan Partners directed the Board to amend the Plan rules. This resulted in a reduction of the member and employer contribution rates to the Basic Account by 0.09% each, and a corresponding increase in contribution rates to the IAA by the same amount, effective March 1, 2004.

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES

An actuarial valuation is performed at least every three years. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan as described in Note 7a. As part of the actuarial valuation, the actuary also calculates values, for accounting purposes, for Basic Account assets as at, and pension liabilities accrued to, the financial statement date. For this purpose, contributions and benefits for future service are not included, in contrast to their inclusion in the valuation for funding purposes in Note 7a.

The Basic Account is the account from which the defined basic benefits of the Plan are paid. It is also the account from which any indexing that has been granted to retired members is paid. Future indexing benefits are not guaranteed within the Plan provisions and are granted to retired members only to the extent that sufficient assets are available from the IAA to fund those benefits. As indexing is granted, the Basic Account receives from the IAA the present value of the funding necessary for the indexing granted. Therefore accrued basic pension benefits for valuation purposes, include the liability for all indexing granted to the date of the valuation, but not for as yet unknown future indexing.

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2004

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

The latest full valuation was made as at August 31, 2003 by Eckler Partners Ltd. The results were as follows:

As at August 31	2003	2000
	($ Millions)	
Net assets available for basic pension benefits	$ 1,235	$ 1,166
Five year market value smoothing adjustment	81	(181)
Net actuarial assets for basic pension benefits	1,316	985
Liability for accrued basic pension benefits	1,194	723
Actuarial Surplus	$ 122	$ 262

The next full actuarial valuation will be at August 31, 2006 for inclusion in the August 31, 2007 financial statements.

The present value of liabilities for pension benefits accrued to the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. For accounting purposes, an estimate of the actuarial position between valuations is required. This estimate, called an extrapolation, has been made to August 31, 2004, using the following long-term actuarial assumptions:

- annual investment return 7.2%
- annual salary escalation rate 4.7%

On that basis, the extrapolated value of the surplus at August 31, 2004 is as follows:

Extrapolated Actuarial Assets Available for Basic Pension Benefits	2004	2003
	($Millions)	*($Millions)*
Extrapolated actuarial assets, beginning of year	$ 1,349	$ 1,198
August 31, 2003 valuation adjustment	(33)	-
Actuarial assets August 31, 2003 valuation results	1,316	1,198
Account transfers	8	7
Current year contributions	53	63
Net transfers to (from) other plans	8	29
Pension, termination and refund benefits	(45)	(38)
Interest accrued on assets	96	90
Extrapolated actuarial assets, end of year	$ 1,436	$ 1,349

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2004

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

Extrapolated Actuarial Liability for Accrued Basic Pension Benefits	2004 ($ Millions)	2003 ($Millions)
Extrapolated liability for accrued basic benefits, beginning of year	$ 1,128	$ 974
August 31, 2003 valuation adjustment	66	-
Liability for accrued basic benefits August 31, 2003 valuation results	1,194	974
Account transfers	8	7
Current period benefit cost	76	81
Net transfers to (from) other plans	8	29
Pension, termination and refund benefits	(45)	(38)
Interest accrued on liability	87	75
Extrapolated liability for accrued basic pension benefits, end of year	$ 1,328	$ 1,128
Extrapolated Actuarial Surplus August 31, 2004	**$ 108**	**$ 221**

Extrapolations may not be reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions used in the extrapolation. For example, the actuarial valuation as at August 31, 2003 resulted in a $122 million actuarial surplus, $99 million less than the previously extrapolated actuarial surplus as at August 31, 2003 of $221 million.

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account.

9. INVESTMENT AND ADMINISTRATION COSTS

	2004 ($ Thousands)	2003 ($ Thousands)
Investment Management	$ 2,490	$ 1,893
Benefit Administration	1,234	1,365
Board Remuneration and Expenses	180	155
Board Secretariat Costs	64	19
Other Professional Services	245	125
	$ 4,213	$ 3,557

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
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9. INVESTMENT AND ADMINISTRATION COSTS (continued)

bcIMC and the Pension Corporation are related parties to the Plan. The Board appoints members to each of the respective corporate boards.

Costs for investment management services charged by bcIMC include costs for internal and external investment management fees.

Benefit administration costs represents amounts charged by the Pension Corporation for benefit administration services that are approved by the Board. Included in accounts payable is $84 thousand due to the Pension Corporation for those costs (2003: $73 thousand).

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Board secretariat costs represent amounts for staffing and other costs associated with Board support.

Other professional service costs include actuarial, insurance, audit and legal fees.

10. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed the *Income Tax Act* (Canada) limits for registered pension plans are paid through this account. Certain retired member group benefit coverage may also be provided through this account. The availability, type and level of this retiree group benefit coverage is contingent upon the availability of funds within the Supplemental Benefits Account to fund such benefits. To the extent that group benefits are funded from the Supplemental Benefits Account, they are funded from current employer inflation contributions and cannot exceed 1% of pensionable salaries.

11. COMMITMENTS

The Plan participates in the private placements and international equity pools that are managed by bcIMC. As at August 31, 2004, the Plan's share of commitments (over the next several years) for future investment contracts in these pools is approximately $45.3 million (2003: $35.1 million).

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
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12. FINANCIAL INSTRUMENTS

The Plan's investments are recorded at fair value. Other financial instruments consist of cash, accounts receivable, accounts payable, and accrued expenses. The fair values of these financial instruments approximate their carrying values.

Fair values of investments are exposed to credit risk and price risk. Price risk is comprised of currency risk, interest rate risk, and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract.

Interest rate risk
The value of the Plan's assets is affected by changes in interest rates and their effect on capital markets. Pension liabilities are exposed to the impact of changes in long-term market interest rates.

Market Risk
The most important issue for the Plan is long-term investment results. The Board approves the long-term asset mix policy for investment assets and oversees the management of these assets through the Board's investment management agent, bcIMC. Investment risk is reduced through asset class diversification, diversification within each asset class and credit quality constraints on fixed income instruments.

Credit Risk
The Plan limits derivative contract credit risk by dealing principally with counterparties that have a credit rating of A or higher as rated by the Dominion Bond Rating Service or equivalent.

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